

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0527-01  
Bill No.: SB 4  
Subject: Department of Elementary and Secondary Education; Department of Social Services; Department of Health and Senior Services; Children and Minors  
Type: Original  
Date: February 2, 2009

Bill Summary: This legislation establishes a quality rating system for child care facilities.  
This legislation will sunset in six years.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$809,911)	(Unknown but Greater than \$3,282,115)	(Unknown but Greater than \$5,049,796)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$809,911)</b>	<b>(Unknown but Greater than \$3,282,115)</b>	<b>(Unknown but Greater than \$5,049,796)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Quality Rating System Program Improvement Grant Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Assume potential transfers in-appropriations, gifts, donations or bequests.  
Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Federal*	\$0	\$0	\$0
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and costs of approximately \$17,213 in FY10, \$18,113 in FY11 and \$18,656 in FY12 would net to \$0.

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Quality Rating System Program Improvement Grant	.73 FTE	.73 FTE	.73 FTE
Federal	.27 FTE	.27 FTE	.27 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### ***Section 210.205:***

Officials from the **University of Missouri, Missouri House of Representatives** and the **Missouri Senate** each assume the proposal would have no fiscal impact on their respective agencies.

In response to a similar proposal from 2008 (SB726), officials from the **Missouri State Treasurer** assume the proposal would have no fiscal impact on their agency.

Officials from the **Department of Mental Health (DMH)** states other than collaborating with the Department of Social Services, Department of Health and Senior Services and the Department of Elementary and Secondary Education, this proposed legislation places no requirements upon the DMH. DMH collaborates with other state agencies in many areas and expects no significant cost to the Department associated with this bill.

Officials from the **Department of Elementary and Secondary Education (DESE)** states DESE is to work in collaboration with the Department of Social Services, the Department of Health and Senior Services and the Department of Mental Health to develop a voluntary quality rating system for child care facilities and early childhood programs operated in this state. DESE anticipate cost relating to travel, employee time, and resource materials; however, DESE does not expect these costs to be significant.

Officials from the **Department of Health and Senior Services** state the following:

Sections 210.205. 1. - 3. - Based on discussion with Department of Social Services (DSS), all costs related to the development of the rating system will be included in the DSS fiscal notes response. The Department assumes that any collaboration between the DHSS and the DSS required by the legislation would be accomplished with existing staff and resources. DHSS assumes no cost to develop the rating system.

Section 210.205.4. - The legislation requires DSS to administer the newly created "Early Childhood Program Quality Improvement Grant Fund". The DHSS assumes no cost related to this fund.

ASSUMPTION (continued)

Section 210.205.5 - Based on discussion with DSS, their costs related to developing the rating system will include the costs of collection, development and distribution in (1) and (2). Subsection (3) requires that the provider ratings be posted on the Internet. Based on information received from OA ITSD, \$50,000 is included as an estimate of the cost to post this information on the DHSS Internet site. It is assumed that this cost would be paid from General Revenue during FY 2010.

Section 210.205.6 - The legislation requires DSS to promulgate rules. The DHSS assumes no cost related to rules.

Potential Future Costs - Implementation of this legislation might result in an increase in the number of licensed facilities with a corresponding increased inspection workload for the Section for Child Care Regulation. If such an increase were to occur, the program would ask for additional staff through the budget process at a later date.

The increased demand for required annual training hours for licensed providers has the potential to exceed the current training capacity of the Missouri Child Care Resource and Referral Network (MOCCRRN). If such an increase were to occur, the program would ask for additional funding through the budget process at a later date.

Officials from the **Department of Social Services** state the following:

Cost for rating system based on University of Missouri (UM) estimates. The proposed process increases the number of programs rated each year until FY 14 when 70% of the programs will be rated. No state with a voluntary Quality Rating System (QRS) has seen participation exceed 70%. The improvement fund calculation has been broken out as it is subject to appropriation. The Children's Division assumes that the licensed child care programs receiving quality improvement funds or services that are mandated to be rated by July 1, 2012, will be included in the first 3 years of implementation. The projected cost per year is:

<u>Year</u>	<u>Percentage Rated</u>	<u>QRS Cost</u>	<u>Improvement Fund</u>	<u>Total</u>
FY10	10%	\$0 to \$714,301	\$0	\$714,301
FY11	27%	\$0 to \$1,196,124	\$0 to \$2,038,000	\$1,196,124 to \$3,234,124
FY12	43%	\$0 to \$1,690,366	\$0 to \$3,310,000	\$1,690,366 to \$5,000,366
FY13	57%	\$0 to \$2,181,936	\$0 to \$4,330,000	\$2,181,936 to \$6,511,936
FY14	70%	\$0 to \$2,684,507	\$0 to \$5,348,000	\$2,684,507 to \$8,032,507

ASSUMPTION (continued)

This methodology changed from the previous year fiscal note. It has been determined that the child care providers will be reviewed every 18 months instead of 12 months. This resulted in a significant reduction in the cost to implement the QRS.

No cost for the tiered subsidy system is shown, but is anticipated to be several million dollars. Current subsidy system will need to be revamped. Factors that may influence cost are adjustments to parental sliding fee/co-payment, actual cost variances between the various QRS levels, income eligibility level increases, etc. Since the subsidy will only be implemented after passage of a resolution by the General Assembly, no cost is shown in the fiscal note.

One FTE for QRS UMC grant oversight, i.e. contract development, monitoring, reviewing reporting and outcome requirements and statistical data, liaison between DSS and grantee including coordination with other DSS programs, providing technical assistance to grantee, and payment of invoices. This FTE will also be the liaison with the Coordinating Board for Early Childhood in developing and implementing a tiered reimbursement system.

**Oversight** notes that this proposal would create a fund which shall consist of gifts, donations, bequests, transfers, and moneys appropriated by the General Assembly. Oversight assumes the fund would receive some gifts, etc, but Oversight assumes that all or virtually all of this funding would be transferred or appropriated from the General Revenue Fund.

**Oversight** has, for fiscal note purposes only, assumed this proposal will be appropriated and reflexed the cost without a "\$0 to" range.

FISCAL IMPACT - State Government

FY 2010  
 (10 Mo.)

FY 2011

FY 2012

**GENERAL REVENUE FUND**

Transfer Out - Transfer to the Quality  
 Rating System Program Improvement  
 Grant Fund

(\$759,911)

(Unknown but  
 Greater than  
 \$3,282,115)

(Unknown but  
 Greater than  
 \$5,049,796)

Costs - Department of Health and Senior  
 Services

Post Information on Internet Site

(\$50,000)

\$0

\$0

**ESTIMATED NET EFFECT ON  
 GENERAL REVENUE FUND**

(\$809,911)

(Unknown but  
 Greater than  
 \$3,282,115)

(Unknown but  
 Greater than  
 \$5,049,796)

**QUALITY RATING SYSTEM  
 PROGRAM IMPROVEMENT  
 GRANT FUND**

<u>Transfer In</u> - Appropriation, gifts, donations or bequests*	\$759,911	Unknown but Greater than \$3,282,115	Unknown but Greater than \$5,049,796
<u>Costs</u> - Department of Social Services			
Personal Services	(\$24,106)	(\$29,807)	(\$30,701)
Fringe Benefits	(\$11,723)	(\$14,495)	(\$14,930)
Equipment and Expense	(\$9,781)	(\$3,689)	(\$3,799)
Program Costs-QRS	(\$714,301)	(\$1,196,124)	(\$1,690,366)
Program Costs		(Unknown but Greater than \$2,038,000)	(Unknown but Greater than \$3,310,000)
	\$0		
<u>Total Costs</u> - DSS		<u>(Unknown but Greater than \$3,282,115)</u>	<u>(Unknown but Greater than \$5,049,796)</u>
FTE Change - DSS	.73 FTE	.73 FTE	.73 FTE

**ESTIMATED NET EFFECT ON  
 QUALITY RATING SYSTEM  
 PROGRAM IMPROVEMENT  
 GRANT FUND**

	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change for General Revenue Fund	.73 FTE	.73 FTE	.73 FTE

\*Assume potential transfers in-appropriations, gifts, or donations.

**FEDERAL FUNDS**

Income - Department of Social Services

Federal Assistance	\$17,213	\$18,113	\$18,656
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Costs - Department of Social Services

Personal Services	(\$9,098)	(\$11,250)	(\$11,587)
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Fringe Benefits	(\$4,424)	(\$5,471)	(\$5,635)
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Equipment and Expense	(\$3,691)	(\$1,392)	(\$1,434)
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<u>Total Costs</u> - DSS	<u>(\$17,213)</u>	<u>(\$18,113)</u>	<u>(\$18,656)</u>
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FTE Change - DSS	.27 FTE	.27 FTE	.27 FTE
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**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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Estimated Net FTE Change for General  
 Revenue Fund

.27 FTE	.27 FTE	.27 FTE
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FISCAL IMPACT - Local Government

FY 2010 (10 Mo.)	FY 2011	FY 2012
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Child care providers may incur costs for quality improvements in order to achieve their desired level of quality rating.

FISCAL DESCRIPTION



**Section 210.205:**

The proposed legislation requires the Department of Social Services in collaboration with the Departments of Health and Senior Services, Elementary and Secondary Education, and Mental Health to develop by September 1, 2009, a quality rating system for early childhood and before-and after-school programs licensed by the Department of Health and Senior Services that operate in this state. The licensing of such facilities shall be the baseline, while the highest rating includes accreditation. The Departments shall utilize the model from the existing Missouri quality rating system pilots developed by the University of Missouri Center for Family Policy and Research to establish the system. The system will allow consumers and parents to evaluate and select high quality programs and creates a system of accountability for policymakers and those who fund such programs.

By July 1, 2012, all licensed child care facilities voluntarily receiving quality improvement funds and services shall, upon the facilities' request, be rated using the quality rating system established under this legislation. The Coordinating Board of Early Childhood shall develop a plan for a tiered system of reimbursement for child care subsidies based on the quality rating system established under this legislation. The proposed plan shall be submitted to the General Assembly with recommendations for implementation of the reimbursement system by December 31, 2010. The plan shall only become effective upon passage of a concurrent resolution by the General Assembly authorizing the implementation of the plan.

The Quality Rating System Program Improvement Grant Fund is established and shall consist of all gifts, donations, transfers, moneys appropriated by the General Assembly, and bequests to the fund. Money in the fund shall be used to provide grants directly to licensed providers seeking assistance for quality improvements to undergo evaluation under the quality rating system established under this legislation or to community-based organizations assisting providers with such improvements.

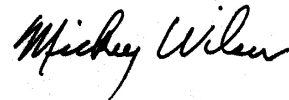
The Department of Social Services in collaboration with the Departments of Health and Senior Services, and Elementary and Secondary Education shall be responsible for promoting and distributing materials to educate the public and providers about the quality rating system established under this legislation. By January 1, 2011, the ratings of the quality rating system shall be posted on the Internet in a format easily understood and accessible by the public.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

**SOURCES OF INFORMATION**

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Department of Elementary and Secondary Education  
Department of Mental Health  
Department of Health and Senior Services  
Department of Social Services  
Missouri House of Representatives  
Missouri Senate  
Missouri State Treasurer  
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
February 2, 2009